

USDA Foreign Agricultural Service

# GAIN Report

Global Agricultural Information Network

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## India

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### Cotton and Products Update September 2014

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**Report Highlights:**

Official statistics reveal marketing year (MY) 2014/15 planted area reached a record 12.7 million hectares. Delayed rains and few alternatives prompted farmers to expand cotton area. The MY 2014/15 production forecast is 30.8 million 480 lb. bales. Weak prices have prompted the Cotton Corporation of India (CCI) to begin procurement under minimum support price (MSP) operations. MY2013/14 data have been revised based on official statistics. [Give us your feedback on this report.](#)

## General Information:

Cotton India	2012/2013		2013/2014		2014/2015	
	Market Year Begin: Aug 2012		Market Year Begin: Aug 2013		Market Year Begin: Aug 2014	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	0	0	0	0	0	0
Area Harvested	12,000	12,000	11,700	11,700	12,750	12,700
Beginning Stocks	10,869	10,819	11,969	10,769	11,319	10,249
Production	28,500	28,500	31,000	31,000	31,000	30,800
Imports	1,200	1,200	750	680	800	800
MY Imports from U.S.	0	0	0	0	0	0
Total Supply	40,569	40,519	43,719	42,449	43,119	41,849
Exports	7,750	7,750	9,400	9,200	5,000	6,000
Use	21,850	22,000	23,500	23,000	24,500	23,500
Loss	-1,000	0	-500	0	0	0
Total Dom. Cons.	20,850	22,000	23,000	23,000	24,500	23,500
Ending Stocks	11,969	10,769	11,319	10,249	13,619	12,349
Total Distribution	40,569	40,519	43,719	42,449	43,119	41,849

1000 HA, 1000 480 lb. Bales, PERCENT, KG/HA

## Slow Arrivals

For MY 2014/15, new crop arrivals have reached around 500,000 170 kg bales with around 215,000 170 kg bales arriving in northern India. The price for seed cotton continues falling as the pace of arrivals continues accelerating. Peak arrivals are expected to start between mid-October and early November.

As of September 25, CCI reported marketing year (MY) 2013/14 cotton arrivals reached 38.6 million 170 kg bales (30.2 million 480 lb bales / 6.5 mmt) lending support to the notion of a larger crop over the previous year. For MY 2013/14, total arrivals as a percentage of the total production estimate have reached 97 percent.

## Record Area and Production Continues

FAS Mumbai has revised the MY2014/15 planting area to 12.7 million hectares based on official statistics, dated September 26, from the Ministry of Agriculture. This is 8 percent higher than the MY 2013/14 crop area. The normal area (3 year average) for the same period is 11.1 million hectares. The area increase is attributed to delayed rains which reduced alternatives and prompted farmers to expand

cotton area. FAS Mumbai revised the MY 2014/15 production to 30.8 million 480 lb. bales (39.5 million 170 kg bales / 6.7 mmt). The cotton yield is estimated at around 530 kg per hectare, marginally higher than the five year average of 525 kg per hectare, but lower than last year's yield of 577 kg per hectare. On October 12, 2014, the Cotton Advisory Board (CAB) forecast a record production of 40 million 170 kg bales (31.2 million 480 lb. bales / 6.8 mmt) for MY 2014/15. CAB has revised its MY 2013/14 production 800,000 170 kg bales higher to 39.8 million 170 kg bales (31 million 480 lb. bales / 6.7 mmt).

### **Trade**

The current FAS Mumbai MY 2014/15 export forecast is 6 million 480 lb. bales (7.6 million 170 kg bales / 1.3 mmt). Although export shipments since August have been relatively slow with lower Chinese buying, Bangladesh and Pakistan emerged as top export destinations. Trade sources anticipate continued export sales as forward contracts are delivered and Indian remains competitive in what is being dubbed a buyer's market. Indian ex-gin cotton prices are on par with the Cotlook A index as increasing global stocks lower thin margins for exporters. Export shipments for MY2013/14 reached 9.2 million 480 lb. bales (11.8 million 170 kg bales / 2 mmt).

The MY 2014/15, import estimate is unchanged from the USDA forecast as large domestic supplies are expected to offset any seasonal import substitution as the season progresses. Import shipments in MY 2013/14 reached 869,000 170 kg bales (680,000 480 lb bales / 147,000 mt).

### **Domestic Consumption**

The FAS Mumbai MY 2014/15 consumption estimate is 23.5 million 480 lb bales (30 million 170 kg bales/5.1 mmt). Although monthly consumption in August was 2.4 million 170 kg bales (1.8 million 480 lb bales / 408,000 mt), trade sources indicate that mill buying September onwards has remained weak on account of poor demand for raw cotton and cotton yarn, affecting ex-gin margins. Trade sources indicate that textile mills have built up considerable inventories and are limiting buying of raw cotton in anticipation of declining prices. Small to medium sized mills are stocking cotton and yarn at rates of 15-20 days of consumption and immediate requirements.

FAS Mumbai forecasts average mill consumption (i.e. use) to be around 2.35 million 170 kg bales in MY 2014/15. Use is expected to increase over the prior year, but is generally forecast at minimal growth unless significant changes occur in the market. Should this occur, the spindling capacity and vertical integration that trade sources report is taking place should allow the Indian cotton and yarn sector to capitalize on any changes. FAS Mumbai's MY 2013/14 consumption estimate has been revised 500,000 480 lb. bales lower to 23 million 480 lb. bales (29.8 million 170 kg bales / 5 mmt) based on consumption data by the textile commissioner's office (see table 3).

### **MSP Operations Underway**

The CCI has initiated the procurement of MY2014/15 raw cotton under minimum support price operations in selected districts in the state of Telangana. Trade sources forecast that around 5 million 170 kg bales (3.9 million 480 lb. bales / 850,000 mt) could be procured. MSP operations are expected to be concentrated in southern states of Telangana, Karnataka, Andhra Pradesh and the central state of Maharashtra. Sources report that CCI anticipates procuring around 3.5 million 170 kg bales (2.7 million 480 lb. bales / 595,000 mt) from southern states and 1.5 million 170 kg bales (1.5 million 480 lb. bales / 255,000 mt) from the central cotton growing region.

**Cyclone Nearly Strikes Again**

India's southern cotton growing state of Andhra Pradesh was hit in early October by a severe cyclonic storm 'Hud Hud'. According to the state agriculture department, cotton growing regions evaded significant damage to the crop as the cyclone moved northwards of the major cotton growing districts affecting primarily horticulture crops such as banana, and agricultural crops such as maize and sugarcane. Area affected was the East Godavari region where planted area for cotton is estimated around 16,800 hectares, but the damage to the crop is being assessed by the state government.

**A Brief Note on 2013/14 PSD Estimates**

FAS Mumbai has revised the MY 2013/14 trade and consumption data to reflect the DGFT and textile commissioner's data respectively. The MY 2013/14 production reflects the latest CAB estimate.

**Table 1a: Estimate of 2013/14 Cotton Exports**

	<b>170 kg</b>	<b>Metric Tons</b>	<b>480 lb</b>
August Exports 1\	260,571	44,297	203,455
September Exports 1\	132,941	22,600	103,801
October Exports 1\	140,806	23,937	109,942
November Exports 1\	1,915,982	325,717	1,496,006
December Exports 1\	2,460,212	418,236	1,920,943
January Exports 1\	2,055,653	349,461	1,605,062
February Exports 1\	1,419,624	241,336	1,108,448
March Exports 1\	1,308,347	222,419	1,021,562
April Exports 1\	956,671	162,634	746,972
May Exports 1\	661,053	112,379	516,153
June Exports 1\	401,882	68,320	313,791
July Exports 1\	139,312	23,683	108,775
<b>Total Aug-Jul</b>	<b>11,853,054</b>	<b>2,015,019</b>	<b>9,254,910</b>

1\ Official sub-total reflects estimates from the Directorate General of Foreign Trade, for Harmonized Tariff Schedule code 5201 – raw cotton.

**Table 1b: Estimate of 2014/15 Cotton Exports**

	<b>170 kg</b>	<b>Metric Tons</b>	<b>480 lb</b>
August Estimated Exports 2\	88,000	14,960	68,711
September Estimated Exports 2\	125,000	21,250	97,600
<b>Preliminary Total Aug</b>	<b>213,000</b>	<b>36,210</b>	<b>166,311</b>

2\ FAS Mumbai estimate

**Table 2a: Estimate of 2013/14 Cotton Imports**

	<b>170 kg</b>	<b>Metric Tons</b>	<b>480 lb</b>
August Imports 1\	107,824	18,330	84,189
September Imports 1\	96,906	16,474	75,664
October Imports 1\	113,382	19,275	88,529
November Imports 1\	55,024	9,354	42,963
December Imports 1\	17,624	2,996	13,761
January Imports 1\	38,959	6,623	30,419
February Imports 1\	41,576	7,068	32,463
March Imports 1\	48,841	8,303	38,135
April Imports 1\	65,582	11,149	51,207
May Imports 1\	59,471	10,110	46,435
June Imports 1\	71,353	12,130	55,713
July Imports 1\	152,453	25,917	119,036
<b>Total Aug-Jul</b>	<b>868,994</b>	<b>147,729</b>	<b>678,514</b>

1\ Official subtotal reflects estimates from the Directorate General of Foreign Trade, for Harmonized Tariff Schedule code 5201 – raw cotton.

**Table 2b: Estimate of 2014/15 Cotton Imports**

	<b>170 kg</b>	<b>Metric Tons</b>	<b>480 lb</b>
August Estimated Imports 2\	156,000	26,520	121,805
September Estimated Imports 2\	338,000	57,460	263,912
<b>Preliminary Total Aug</b>	<b>494,000</b>	<b>83,980</b>	<b>385,717</b>

2\ FAS Mumbai estimate

**Table 3: Monthly Cotton Consumption by the Textile Sector**  
(Million 170 kg bales)

Month	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15
Aug	1.859	2.173	1.864	2.207	2.423	2.423
Sep	1.829	2.143	2.170	2.146	2.370	
Oct	1.812	2.209	1.776	2.185	2.403	
Nov	1.847	2.110	1.834	2.109	2.296	
Dec	1.949	2.257	2.013	2.264	2.516	
Jan	1.954	2.210	2.033	2.330	2.519	
Feb	1.881	2.023	2.030	2.224	2.323	
Mar	2.001	2.176	2.038	2.361	2.507	
Apr	2.053	2.017	2.031	2.322	2.431	
May	2.093	1.864	2.128	2.285	2.443	
Jun	2.071	1.823	2.117	2.251	2.408	
Jul	2.211	1.900	2.213	2.411	2.446	
Loss*	1.700	1.338	0.500	1.000	0.800	
<b>Total</b>	<b>25.260</b>	<b>26.243</b>	<b>24.747</b>	<b>28.095</b>	<b>29.885</b>	

Source: Textile Commissioner

\*Loss estimate from the Cotton Advisory Board

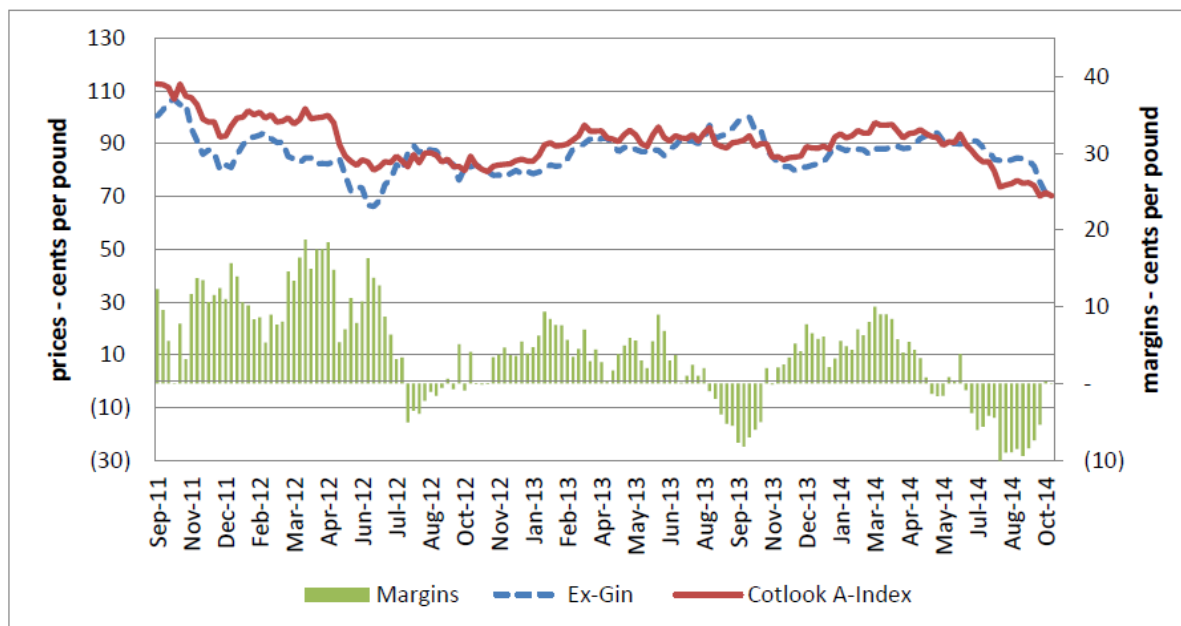
**Table 4: Cotton Yarn Export Registration Data**

Month	Quantity	Month	Quantity	Month	Quantity	Month	Quantity
	(Million kg)		(Million kg)		(Million kg)		(Million kg)
Aug-11	97.734	Aug-12 (P)	83.055	Aug-13 (P)	104.913	Aug-14 (P)	96.535
Sep-11	77.157	Sep-12 (P)	64.269	Sep-13 (P)	109.640		
Oct-11	43.69	Oct-12 (P)	94.462	Oct-13 (P)	125.885		
Nov-11	76.362	Nov-12 (P)	100.769	Nov-13 (P)	108.520		
Dec-11	83.005	Dec-12 (P)	100.778	Dec-13 (P)	118.736		
Jan-12	79.148	Jan-13 (P)	117.143	Jan-14 (P)	143.813		
Feb-12	60.518	Feb-13 (P)	103.955	Feb-14 (P)	103.124		
Mar -12 (P)	64.227	Mar-13 (P)	88.685	Mar-14 (P)	111.738		
Apr -12 (P)	62.811	Apr-13 (P)	115.960	Apr-14 (P)	99.926		
May -12 (P)	74.455	May -13 (P)	90.152	May-14 (P)	88.442		
Jun -12 (P)	82.419	Jun-13 (P)	142.297	Jun-14 (P)	84.949		
Jul -12 (P)	94.507	July-13 (P)	139.745	July-14 (P)	98.808		
<b>Total</b>	<b>896.033</b>	<b>Total</b>	<b>1,241.270</b>	<b>Total</b>	<b>1,298.494</b>		

(P) – Provisional

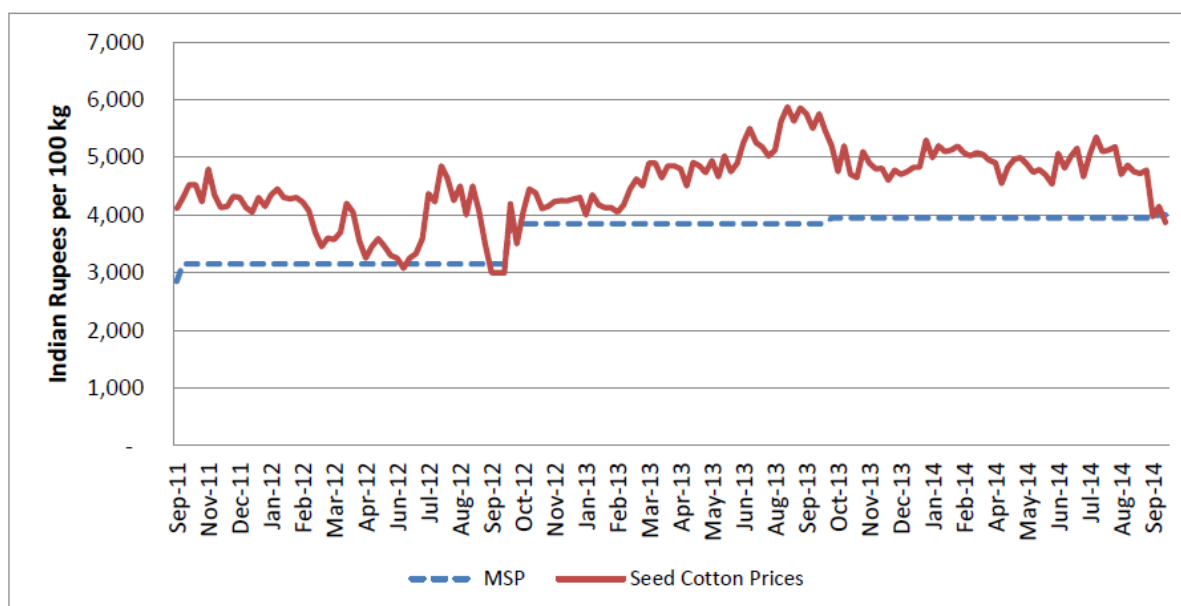
Source: Directorate General of Foreign Trade, Export Cell

**Figure 1a: India Weekly Shankar 6 Ex-Gin Price vs. Cotlook A-Index**



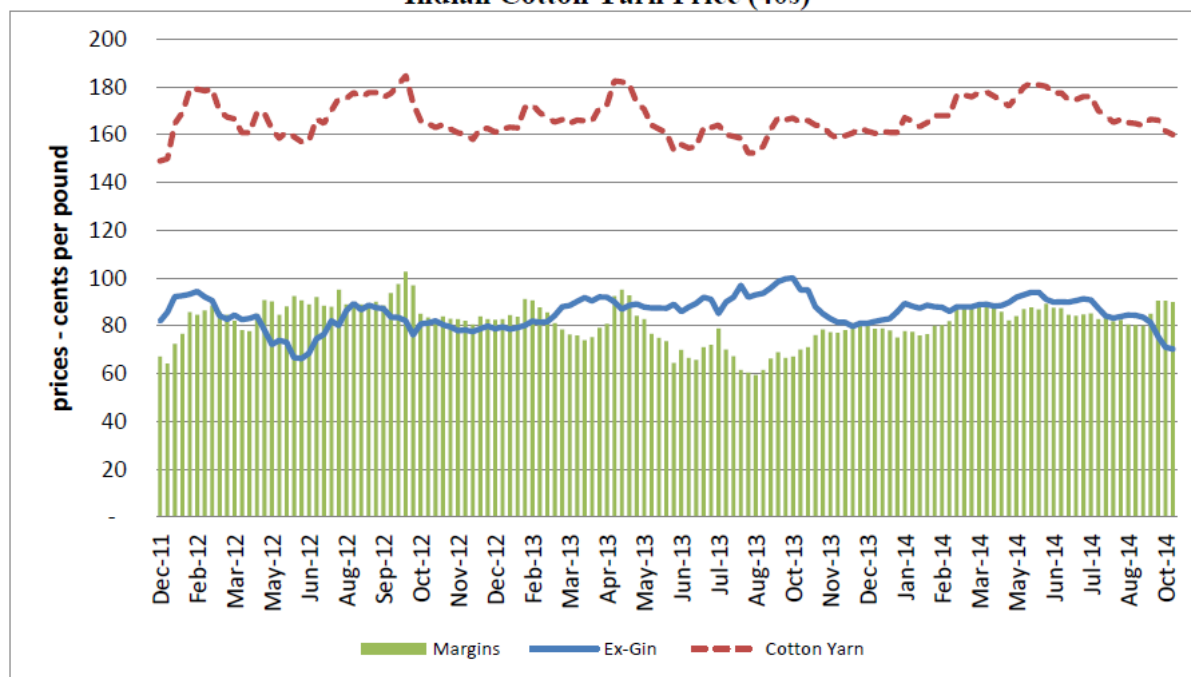
Source: Cotton Association of India  
Cotlook A-Index

**Figure 1b: India Weekly Seed Cotton Prices vs. Minimum Support Price – Shankar-6**



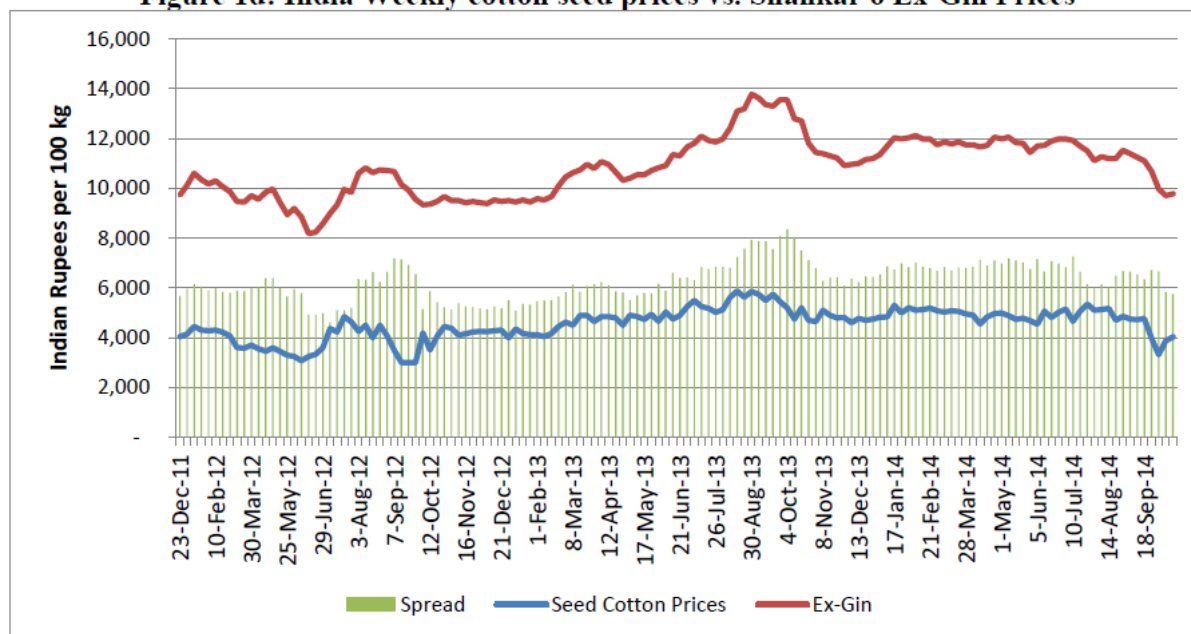
Source: Agriculture Marketing Information Network, Ministry of Agriculture

**Figure 1c: Spinning Margin -- India Weekly Shankar 6 Ex-Gin Price vs. Indian Cotton Yarn Price (40s)**



Source: Cotton Association of India  
Tecoya Trend

**Figure 1d: India Weekly cotton seed prices vs. Shankar 6 Ex-Gin Prices**



Source: Cotton Association of India  
Agriculture Marketing Information Network, Ministry of Agriculture